

THE RATIONIST

TWELVE ESSAYS INTRODUCING A PROPOSED AMENDMENT TO THE CONSTITUTION OF THE UNITED STATES OF AMERICA TO PRESERVE THE DEMOCRATIC-REPUBLICAN MODEL OF GOVERNMENT.

ADDRESSED TO THE PEOPLE OF THE UNITED STATES OF AMERICA.

BY GRACCHUS, A LOYAL CITIZEN.

NUMBER ONE:

NO GAINS FOR THE MIDDLE, NO GAINS FOR THE TOP.

To the People of the United States of America:

Property monopolized, or in the Possession of a Few is a Curse to Mankind. We should preserve not an Absolute Equality – this is unnecessary, but preserve all from extreme Poverty, and all others from extravagant Riches.

John Adams

After the unequivocal failure of our political and business leadership to protect our middle class, thereby jeopardizing the democratic-republican model of government, you are called upon to deliberate a proposed amendment to the Constitution of the United States.

The Founders tolerated America's defective provisional government fewer than ten years before establishing the present Constitution. But we have labored under a defective economic system for more than fifty years; one that has deprived our middle class of its due share of national prosperity and narrowed avenues of upward mobility for those below, trapping millions of diligent Americans in financial insecurity, patronage, and debt. Many plans have been proposed to alleviate the public distress, but none to cure the habit causing the underlying disease: preferring indiscriminate capital accumulation over middle class prosperity in measuring economic success.

The Constitution is exceptional, but the erosion of our founding egalitarianism reveals that it only ever guaranteed the **LEGAL FORM** of our democratic republic. It must now be empowered to guarantee its **POLITICAL SUBSTANCE**. That political substance resides only in an upright and independent middle class, continually refreshed by upward mobility. We can save our middle class, but not by means of political faction. Political salvation will not be found in any charismatic leader, in the alternating conquests of one political party over another, or in the absolute dominion of a benevolent custodian. Instead:

AMERICA'S MIDDLE CLASS SHALL BE RESTORED BY THE DUTIFUL ENFORCEMENT OF AN IMPARTIAL AND INCORRUPTIBLE MATHEMATICAL RATIO BENCHMARKED AGAINST THE NATIONAL MEDIAN HOUSEHOLD NET WORTH.

Where the middle class prevails, the middling virtues of modesty, industry, honesty, frugality, and equity create a temperate social ambience. In this **ATMOSPHERE OF CIVIC MODERATION**, the tenor of legislation, sphere of regulation, and burden of taxation are moderate, as the demands upon government are slight. Meanwhile, an industrious people secure in their occupations, engrossed in their various recreations, is unbeguiled by sensationalism and adventurism, their steady opinions unshaken by grand and false narratives for which their busy schedules permit little notice. The specific institutions and functionaries of government are thus far less important to liberty and prosperity than the preeminence of an upright and independent middle class. Authentic democracy, free enterprise, and a responsible press attach to every society that is accountable to its middle class, and flee from all which are not.

Alongside the anxieties produced by middle class decline, slavery's economic consequences persist in the United States. The median Black household net worth is less than one-tenth that of Whites, testifying to the tremendous patience of those who have long waited and watched as newer and smaller grievances have been faster redressed. Though none alive today is responsible for slavery, these continuing disparities – more than ordinary inequality – daily pour fresh salt into the open wound still felt by the slaves' descendants. Yet these disparities can be mitigated by the same ratio that would benefit the slaveowners' descendants, without prejudice to the interests of either.

America and the world will profit if we succeed: we can restore the middle-class foundation upon which the democratic-republican model of government rests. We can protect capitalism from an insatiable few whose immoderation would destroy it. We can win every argument against socialism, converting the authoritarian nations that follow it into middling democratic republics. We can again lead the world in advancing freedom, egalitarianism, and constitutional innovation. Perhaps, in time, we can even help reduce its appetite for war as powerful nations – ours included – discover that domestic tranquility can be further advanced by median-indexed equilibrium than by global hegemony.

AMERICA WAS BORN MIDDLE CLASS.

The Constitution is no less an economic instrument than it is a political charter. It transformed America into a free trade zone. It secures property rights, protects the obligations of contract, establishes a single currency, standardizes bankruptcies, promotes the arts and sciences, and authorizes Congress to regulate commerce. Along with customs and markets inherited from Great Britain, it supplied every tool America needed to grow into the wealthy capitalist superpower it has become. But it did not furnish the soil in which productive enterprise flourished. This came from the middle class.

The principal fact of America's founding is that despite slavery, it was born middle class. America commenced as a rural nation of middling farmers facing no immediate prospect of wealth concentration. At Independence, America's top household possessed less than 1,000x the national median household net worth. Today, however, our top households approach 1,500,000x the national median, surpassing the wealth of a million ordinary American families. The genius of Aristotle and the common sense of ordinary Americans agree that the middle should own half. So far has America strayed from its middling origins its middle class holds barely quarter of its wealth, a circumstance requiring the diffusion of more than \$30 trillion to rectify. America is no longer a middling republic enjoying the social pressure-release valve of westward expansion, but a plutocratic republic more than eighty percent urbanized.

If the Founders could return, they would say that in wealth concentration, America now more resembles the stratified aristocracies they repudiated than the hopeful egalitarian republic they established. They may well go further, pronouncing the United States the sequel to republican Rome. Ancient Rome's own historians blamed wealth concentration for the death of that celebrated republic. The destruction of its middling farmer class fueled a tournament of demagogues that culminated in the imperial monarchy of the Caesars, cancelling any serious experiments in popular government for nearly two thousand years.

Given its middling origins, it is no surprise that these experiments truly resumed in America. Mankind has enjoyed only two great waves of democracy, which span less than one-tenth of its recorded history. The first appeared in the Mediterranean Basin. The second along the North Atlantic. The emergence of an independent middle class preceded its arrival in each case. And it was only the fact of their independence that enabled these middle classes to summon democracy. The authority of government resides in the powers of sword and purse. The ability to withhold an indispensable contribution to either is therefore the basis of political agency. Any claim to a share of government is thus enforced not by the fantasy that consent is given, but by the possibility that it be withheld. Ancient democracy accordingly originated in military labor strikes; America's experiment in a tax revolt. In all of history, only the independent middle classes held the power to so challenge the elite status quo.

Our Founders drew heavily upon the lessons of Classical Antiquity when designing the Constitution. While they feared unbridled democracy for the reasons experienced by the ancient Greeks, they praised our founding egalitarianism without qualification, warning against extreme wealth concentration. But aside from issuing vague admonitions about inequality and faction, they bequeathed to us no specific technique by which to preserve the middling substance of an urbanized commercial republic such as we have become.

How for instance should we implement John Adams's advice that we "*preserve all from extreme Poverty, and all others from extravagant Riches*"? What legislation satisfies Thomas Jefferson's assurance that "*legislators cannot invent too many devices for subdividing property, only taking care to let their subdivisions go hand in hand with the natural affections of the human mind*"? How can we peacefully and permanently de-concentrate wealth against elite obstinance, in view of James Madison's observation that "*the most common and durable source of factions has been the various and unequal distribution of property*"? And how do we solve for household insecurity without simultaneously aggravating household dependency, heeding Alexander Hamilton's caution that "*a power over a man's subsistence amounts to a power over his will*"? The question is: how do we maintain an **INDEPENDENT MIDDLE CLASS** rather than merely sustain a **DEPENDENT UNDERCLASS**?

The answer is: with our Amendment, and it comes not a moment too soon. Just as the middle classes summon democracy, their decline heralds the end of popular government. When a middling people become financially precarious, their political independence melts before the bellows of electoral patronage. Inflamed by the propaganda of unscrupulous parties and press, they divide into factions distinguished principally according to the assignment of blame for their diminishing status. Those on the right accuse foreigners and the poor, those on the left the moneyed interest. Popular leaders exploit the people's animosities and dependencies, dragging them by their hopes and fears along a closed loop of hollow promises. Bewildered, financially insecure, and addicted to populist demagoguery, they lose their ability to withdraw their consent and withhold their contributions, thereby obliterating democracy's rationale and authenticity. Democracy finally sheds its legitimacy when the plutocracy no longer conceals the theft of its

public and private organs, eliminating all hope for escape other than through the barbarism and authoritarianism of a Sulla or a Caesar.

America's present decline reveals that its past fortune is due less to the merits of its founding generation or its Greatest Generation than to the peculiar circumstances favoring its middle class. The full weight of history counsels that the fate of our middle class is a thing far too important to be left to the corruption, intrigue, and compromises of ordinary politics. Our destiny is not a prize to be snatched by the cleverest, fastest, luckiest, wealthiest, or strongest. **AMERICA MUST GUARANTEE THE PRESERVATION OF ITS MIDDLE CLASS BY CONSTITUTIONAL PROVISION**, lest it suffer its own tournament of demagogues in the Roman style. This is the purpose of our proposed Amendment.

TO PRESERVE THE MIDDLE CLASS.

Faithful to our founding principles, the Amendment would anchor America's top households to a prescribed multiple of the national median household net worth, such that the economic outcomes of the top households thereafter **RISE AND FALL LOCKSTEP IN MATHEMATICAL PROPORTION** to the national median. Properly administered, covered households – which collectively exert the greatest market influence – must cause the median to increase via market action in order to increase their own fortunes. **NO GAINS FOR THE MIDDLE, NO GAINS FOR THE TOP.**

The initial multiple would be 10,000, rolling back America's social aspect ratio from its present level of 1,500,000:1 to 10,000:1. At a 10,000:1 ratio, the \$143,000 median (last-reported 3 year average) sets the cap at \$1.4 billion (a limit currently surpassed by between 500 and 1,000 American households). Every \$1 increase to the median lifts the cap by \$10,000; every \$10,000 by \$100 million; every \$100,000 by \$1 billion.

Tethering elite households to the national median household **NET WORTH** anchors our economy to the middle class because, unlike **INCOME** or **PURCHASING POWER** metrics, this figure accounts for the cumulative effects of all economic activity. Net worth factors taxes, debt, inflation, layoffs, racial disparities, offshoring, immigration, and every machine, robot, and algorithm used to reduce the wages and wealth of a flesh-and-blood American worker. Beware the selective use of income data intended to conceal the condition of the middle class and the heavy tax burden that it bears; many have been tricked by a clever deception proceeding from the legal distinction between capital gains and ordinary income. And do not be lulled into the false security conferred by stimulus payments, which temporarily bolster purchaser confidence on the backs of middle-class taxpayers, debase our currency, and overstate the financial viability of ordinary American households.

The ratio would be enforced by means of a tax paid only by a few top households who collectively exert market power, signaling a necessary and proper expectation that economic elites demonstrate an economic responsibility commensurate with their economic authority. Preexisting fortunes located within our territory would generally be grandfathered. A secondary limit could apply to foreign holdings, enabling our elites to compete in global investment activities. Foreign investors could be exempted to the extent not acting as surrogates for American households. The value of any American household wealth exceeding the cap that could be repatriated, but is willfully located outside our territory, would generally be taxed. Exile and expatriation would not defeat the ratio, leaving no lawful means of evasion. No new taxes or regulations would be imposed upon enterprise.

All proceeds raised by the tax – likely worth trillions of dollars – would be allocated **TO NO SPECIAL INTEREST**, but only in equal shares to each State timely ratifying the Amendment, whose budget officers, university endowments, and pension funds could make efficient use thereof. The Amendment thus directly benefits our students, retirees, teachers, and police. By distributing all proceeds to States, it also shields appropriations from electoral patronage and Congressional discretion, ineptitude, and corruption, while elevating the relative importance and independence of the States, strengthening America’s bedrock principle of federalism.

The Amendment creates incentives to ensure that capital does not abuse labor, and provides a failsafe if it does: whatever the top takes from the middle exceeding the cap would be taxed right back from the top by enforcement of the ratio. Yet the Amendment imposes no mandates, taxes, or regulations upon enterprise. It lets market actors decide how to raise the median through negotiation between enterprise and covered households. To the extent the market succeeds, the median will rise productively via wage and price action, diminishing demands upon the public treasury. If the market fails, covered households share the expense of failure to the same degree as everyone else, contributing revenues to ameliorate the general distress. If our economic elites cannot be bothered to raise our national median, why should we bother to increase their fortunes? In any event, if the market fails to raise the median with the ratio in force, its conduct in the last half-century proves it would do no better without one.

If the Amendment is vigilantly enforced, however, market actors will not fail to raise the median. So long as men continue to pursue wealth and status, their genius and ambition can be harnessed and deployed to promote the general welfare. The Amendment sets the cap sufficiently high to encourage and reward all useful entrepreneurial activity. And once it is implemented, to backsolve for a middle class of any given target size, future legislators must simply discover and apply the **OPTIMAL RATIO**, periodically adjusted for evolving market circumstances, covering the appropriate number of households, collectively having adequate market power, to produce the requisite market-generated distributive force, to achieve their prescribed target.

Ultimately, the Amendment moderates the practice of capitalism by its own device – **THE INCENTIVE PLAN** – scaling it from the level of enterprise to nation, from the level of corporate executive to global plutocrat. It also improves capitalism, by preserving the benefits of unfettered capital accumulation by enterprises, while suppressing the vices of grotesque wealth concentration within households. Above all, it enlists capitalism to serve the democratic-republican model of government by way of productive wealth de-concentration. For while maximum profits and unlimited capital accumulation may be the whole purpose of capitalism, it is not the whole purpose of America.

Do not fear the difficulties of enforcement or the prospect of resistance by a few. It would not be the first time our own aristocracy revolted against the Republic. Indeed, given the stakes, if there are any with souls so cavernous they cannot be filled by ten thousand American Dreams with half the nation in want of just one, we should like to know who they are so we can guard against their malignant influence. Because the true purpose of the Amendment is to contain the body politic within the optimal wealth aspect ratio in order to restore and expand our middle class, close slavery’s persisting economic chasm, rejuvenate the middling virtues, quell political faction, and preserve the democratic-republican model of government. To these ends, the pretensions of all must yield.

GRACCHUS.